|  |  |
| --- | --- |
| To | All participants |
| From | James Tipping, Chief Strategy Officer |
| Date | 30 June 2020 |
| Subject | **Decision memo**Addendum to the:1) Guideline on arrangements to assist vulnerable consumers2) Guideline on arrangements to assist medically dependent consumers |
| For your information |

### Purpose of this decision memo

In April 2020 the Authority asked all type 1 retailers and The Lines Company (which invoices domestic customers directly) to assess whether their processes aligned with two existing guidelines – “*Guideline on arrangements to assist vulnerable consumers*”[[1]](#footnote-2) and the “*Guideline on arrangements to assist medically dependent consumers*”[[2]](#footnote-3) (referred to together as the “Guidelines” in this memorandum).

The responses indicated that awareness of, and alignment with, the Guidelines is high.

However, participants highlighted some issues with the Guidelines. The Authority has also noted that there are inconsistencies in the way retailers are applying the Guidelines and there is no formal feedback loop between the Authority, participants and agencies that support medically dependent and vulnerable consumers.

The Authority is undertaking a multi-phase project to update the existing Guidelines in their entirety. This project aligns with a recommendation from the Electricity Price Review (item B6), and is due to be completed by the end of 2020.

The Authority identified three urgent issues, related to technological changes, that had arisen since the Guidelines were last reviewed. The Authority considered that as a full update of the Guidelines was being worked on, the urgent issues could be more pragmatically dealt with by an addendum to the existing Guidelines.

The Authority developed a draft addendum and on 2 June 2020 published this addendum[[3]](#footnote-4) along with a memo[[4]](#footnote-5) requesting stakeholders to provide feedback on its content. The Authority also discussed the addendum with stakeholders over a series of online sessions.

After considering the feedback received, the Authority has decided to proceed with issuing a final addendum to the Guidelines, but in an amended form to what was originally proposed.

The final addendum applies from 30 June 2020.

### Summary of feedback received on the addendum

The Authority asked stakeholders:

1. Do you agree the issues identified by the Authority in the three areas (Electricity meter operating in a prepayment mode, Remote disconnection and connection, and the Retailer – Customer – Consumer – Premises relationship) are worthy of attention?
2. Do you agree with the proposed additions to the Guidelines in the addendum to clarify how these issues should be addressed?
3. What other issues in the existing Guidelines should be addressed in Phase 2 of the review of the Guidelines (the full review of the Guidelines, in their entirety)?

Feedback was received from 17 stakeholders, as set out below. The feedback received from ‘Independent retailers’ was a joint submission from Ecotricity, Electric Kiwi, energyclubnz, Flick Electric, and Vocus. In addition, both Electric Kiwi and Flick Electric also provided feedback individually.

|  |  |
| --- | --- |
| Contact Energy | Retailer |
| Electra Network | Retailer |
| Electric Kiwi | Retailer |
| ERANZ | Retailer Association |
| Fincap | Budget Agency |
| Flick Electric | Retailer |
| Genesis Energy | Retailer |
| Ian McChesney | Individual |
| Independent retailers | Retailer |
| Mercury Energy | Retailer |
| Meridian Energy and Powershop | Retailer |
| Orion Network | Network |
| OurPower | Retailer |
| Pulse Utilities | Retailer |
| Salvation Army | Social Organisation |
| The Lines Co | Network |
| Trustpower | Retailer |

Some of the feedback we received relates to complex areas of the Guidelines, and will consequently be considered in Phase 2 of the Guidelines update project. There will be comprehensive engagement with stakeholders throughout Phase 2 of the project.

In terms of the proposed addendum, the feedback on the three issues is summarised below:

1. Prepay metering: 7 stakeholders agreed with the proposal, 3 recommended changes to the proposal, and 3 disagreed with the proposal.
2. Remote disconnection and reconnection: 4 stakeholders agreed with the proposal, 10 recommended changes to the proposal, and 3 disagreed with the proposal.
3. Retailer-customer-consumer-premises relationship: 8 stakeholders agreed with the proposal, 2 recommended changes to the proposal, and 2 disagreed with the proposal.

### Changes to the draft addendum as a result of feedback

As a result of the feedback, the Authority has amended paragraphs 7(a), 7(g), 8(b), 8(c), 8(d) and 8(e) of the draft addendum, and deleted 7(h) and 10(e). The reasons for these amendments follow below in more detail.

#### Prepay metering

The Authority noted the following comments from stakeholders:

Mercury Energy *“This section deals with situations where a manual intervention may be required for a customer on a prepay product. Although this does not occur often, we would prefer that manual disconnections for prepay be treated in the same way as automatic disconnections under 7(g)”*

The Salvation Army *“We support retailers being encouraged to not recommend prepayment meters to MDCs, but to do so in a non-discriminatory way.”*

Independent retailers *“We don't have confidence pre-pay arrangements are provided in a socially responsible manner. We are concerned the pre-payment Addendum could result in an increase in the (non-disclosed) extent to which vulnerable and medically dependent consumers are disconnected. If the Addendum is adopted, retailers will have an incentive to make sure that the so called ‘voluntary’ disconnection is automated so that it is not treated as a disconnection under the Guidelines.”*

The Authority agrees with all three comments, and in the process of updating the Guidelines, will be investigating prepay metering further. The Authority agrees with Mercury Energy that manual intervention may be necessary occasionally in what is an automated process. The Authority has modified the draft addendum and will address further issues with prepay in Phase 2 of the project.

#### Remote disconnection and reconnection

From the feedback, the Authority noted a very common concern that was expressed by 10 stakeholders:

ERANZ *“ERANZ recommends altering the wording of this paragraph to reflect the industry’s best practice by requiring retailers to take reasonable efforts to make contact with the occupant of a domestic premises before carrying out remote disconnections on vacant domestic premises. This would be consistent with other proposals around retailers’ reasonable efforts in the addendum (such as paragraph 10(d)).”*

Genesis energy *“Where the addendum reads “Retailers should not carry out remote disconnections at domestic premises that the retailer considers vacant if the current advanced meter’s consumption records indicate that the premises are occupied” we think a better approach would be to amend the wording as follows “Retailers need to ensure reasonable steps are taken to make contact with the occupant of a domestic premises before carrying out vacant disconnections”.*

The Authority does not strictly agree with the 10 stakeholders who recommended changes to the proposal. The Guidelines target *consumers* of electricity, and not *customers* of the retailer. Uncontracted consumers who consume electricity in domestic premises the retailer considers vacant may still be vulnerable and/or medically dependent. Disconnection may pose risks to those consumers.

However, the Authority accepts that this is an area of concern to retailers and that suitable recommendations need to be put in place. This will be a discussion topic for the Phase 2 Guidelines updating process. Consequently, the Authority has amended addendum paragraphs

1. 8(d)(i) (to clarify who should be contacting the consumer) and
2. 8(e) to refer to “reasonable efforts” to contact the consumer.

Further, paragraph 8(c) has been reworded for clarity, but the intent is identical to what had been proposed in the draft addendum.

Independent retailers commented on a separate issue:

*“There appears to be a conflict between proposed Addendum’s Guidelines 8(d)(i) and 8(e): Guideline 8(d)(i) states “Retailers should only carry out remote disconnections at occupied domestic premises if … The retailer has a contract with the account holder for the point of connection …”. The circumstance in 8(e) where the “retailer considers domestic premises to be vacant” is also a situation where the retailer does not have a contract at the point of connection, so 8(d)(i) would appear to apply in conjunction with 8(e). A problem is that 8(d)(i) says don’t disconnect, while 8(e) appears to contradict this saying the retailer can disconnect but after following the existing Guidelines’ process.”*

The Authority agrees with Independent Retailers and has amended paragraph 8(d)(i) of the addendum.

#### Retailer – Customer – Consumer – Premises relationship

From the feedback, the Authority noted Meridian Energy and Powershop’s concern.

Meridian Energy and Powershop commented *“Finally, we consider the current drafting of proposed clause 10(e) is vague and does not create a clear duty that the retailer can satisfy. We suggest clause 10(e) is removed.”*

The Authority agrees with Meridian Energy and Powershop and has deleted paragraph 10(e).

### Next steps

As discussed in the Authority’s memo of 2 June 2020, we are updating the Guidelines in their entirety, including the material in the addendum.

We look forward to engaging fully with stakeholders as part of this process. Please see our website for further information.

1. <https://www.ea.govt.nz/dmsdocument/8565-guidelines-on-arrangements-to-assist-vulnerable-consumers> [↑](#footnote-ref-2)
2. <https://www.ea.govt.nz/dmsdocument/8564-guidelines-arrangements-to-assist-medically-dependent-consumers> [↑](#footnote-ref-3)
3. <https://www.ea.govt.nz/dmsdocument/26820-mdc-vc-revised-addendum-combined> [↑](#footnote-ref-4)
4. <https://www.ea.govt.nz/dmsdocument/26819-consultation-paper-addendum-to-the-mdvc-guidelines> [↑](#footnote-ref-5)